



THE UNIVERSITY OF BRITISH COLUMBIA PENSION ADMINISTRATION OFFICE

**TO: Members of the UBC
Supplemental Arrangement**

**FROM: UBC Advisory Committee on
the Supplemental Arrangement**

DATE: February 6, 2009

Supplemental Arrangement Update as at December 31, 2008

General Information on the Supplemental Arrangement (SA)

The assets of the Supplemental Arrangement (SA) are administered by Industrial Alliance Insurance and Financial Services Inc. (Industrial Alliance). The assets are invested by Phillips, Hager & North (PHN) in the Phillips, Hager & North Balanced Pension Trust Fund and Leith Wheeler Investment Counsel Ltd. (Leith Wheeler) in the Leith Wheeler Unrestricted Diversified Fund. Members may recall that Leith Wheeler was retained as an investment manager effective August 1st for manager and investment style diversification purposes. Monthly contributions to the SA are allocated on an even basis to each of the managers, with Industrial Alliance rebalancing as required based upon relative performance.

The PHN Balanced Pension Trust Fund is composed of the assets of the PHN Money Market Fund, Bond Fund and Equity Funds (Canadian, including Small Float Fund, and Foreign Funds). PHN will make adjustments to the asset mix of the Fund as market conditions dictate. The unit value of the PHN Balanced Pension Trust is published regularly in the financial section of major newspapers (PHN Bal Pens Tr).

Similarly, the Leith Wheeler Unrestricted Diversified Fund is invested in Canadian fixed income and Canadian, U.S. and International equities. The non-Canadian equities are managed on behalf of Leith Wheeler, through a sub-advisory agreement, by Sprucegrove Investment Management Ltd. (Sprucegrove).

As at December 31, 2008, total assets in the SA were \$37.4million, with the allocation approximately equal between the two firms. There were 986 members.

The timing and amount of contributions are unique; your personal return is dependent on the actual contributions and the timing of subsequent investment in the managers' funds.

Membership and Contribution

For the year 2008, the *Income Tax Act* allowed maximum registered pension contributions in the amount of \$21,000. Members who earned more than \$149,936 reached their pension contribution limit and excess employer contributions were re-directed to their Supplemental Arrangement accounts.

For the year 2009, the *Income Tax Act* has raised the pension contribution limit to \$22,000 and members will not reach their aggregate maximum until they have earned \$156,938.

Administrative Matters

Members who have general inquiries regarding the Supplemental Arrangement, such as beneficiary designation and withdrawal procedures, should contact Jim Loughlean at (604) 822-8987 or jim.loughlean@ubc.ca in the Pension Administration Office.

Members who have any questions regarding investment information should contact Roger Polishak at (604) 681-7858.

At December 31, 2008 the combined investments for the SA were structured as detailed below; the investment results are gross of investment management fees (blended fees are roughly 0.19% per annum). Unfortunately, similar to all balanced investment funds, the SA was not immune to the turbulence seen in financial markets over the past year, resulting in a combined one year loss of 16.3%.

Asset Mix\Unit Values and Returns to December 31, 2008

	SA Fund Market Value (\$ 000's)	% of Total Assets	1 Year Return	2 Year Return	3 Year Return	4 Year Return	Major Market Indices	1 Year Return
Canadian Equity	11,489	30.7%					S&P/TSX	(33.0%)
U.S. Equity	6,126	16.4%					S&P 500*	(21.7%)
International Equity	4,979	13.3%					MSCI EAFE*	(29.6%)
Canadian Fixed Income	13,596	36.4%					DEX Universe Bond	6.4%
Canadian Short Term	1,179	3.2%					DEX 30-Day T-Bills	2.6%
							Benchmark	(16.4%)
Combined SA	37,369	100.0%	(16.3%)	(8.4%)	(1.9%)	0.9%	(* In Cdn \$)	

Summary of Operating Results

For the year, January 1, 2008 to December 31, 2008, the operating results of the SA Fund are:

Investment returns	
1 year return (gross of fees)	<u>(16.3%)</u>
Expenses	
Administrative fees (internal and external)	0.25%
Investment fees (blended)	0.19%
Total fees	<u>0.44%</u>

Administrative fees primarily include custody and recordkeeping charges. The investment management fees are 0.19% per annum based on the average quarterly market value of the Fund.

Advisory Committee

Members of the Advisory Committee are:

Roger Polishak, UBC IMANT

(604) 681-7858

Cheryl Neighbour, Faculty Pension Plan

(604) 822-8112